

No. 15,087

IN THE

United States Court of Appeals
For the Ninth Circuit

SUN-MAID RAISIN GROWERS OF CALIFORNIA,
a Corporation,

Appellant,

vs.

CALIFORNIA PACKING CORPORATION,
a Corporation,

Appellee.

BRIEF OF APPELLEE
CALIFORNIA PACKING CORPORATION.

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**BRIEF OF APPELLEE
CALIFORNIA PACKING CORPORATION.**

STATEMENT AS TO JURISDICTION.

The district court had jurisdiction to enter its order declining to proceed without leave of this Court (28 U.S.C. 1332).

This Court, it is submitted, is without appellate jurisdiction, for the order of the district court was neither a final decision (28 U.S.C. 1291) nor an appealable interlocutory order (28 U.S.C. 1292). Accordingly, the appeal from said order should be dismissed.

This Court has jurisdiction to determine whether leave should be granted defendant to file in the district court

its motion to dissolve the injunction entered pursuant to mandate of this Court (*Rogers v. Consolidated Rock Products Co.* (9 Cir. 1940) 114 F.2d 108, 111; *Butcher & Sherrerd v. Welsh* (3 Cir. 1953) 206 F.2d 259, 262; *Federal Deposit Insurance Corp. v. Alker* (3 Cir. 1955) 223 F.2d 262).

STATEMENT OF THE CASE.

This action was brought by plaintiff-appellee California Packing Corporation for an injunction to enforce the terms of a written contract dated March 10, 1917, between predecessors in interest of California Packing Corporation and defendant-appellant Sun-Maid Raisin Growers of California¹ (R. 9-15). The 1917 contract provided that plaintiff withdraw a pending trade-mark infringement suit and that defendant thereafter use its mark "Sun-Maid" "only on packages containing raisins or on packages containing food products or confections made wholly or in part from raisins"² (R. 13). Subsequent to the contract, and in violation of its express terms, defendant commenced using its mark "Sun-Maid" on other than raisin products, whereupon plaintiff in 1929 brought this action to restrain permanently such use.

The district court initially refused to issue the injunction (*California Packing Corp. v. Sun-Maid Raisin Growers* (S.D.Cal. 1934) 7 F.Supp. 497). Plaintiff appealed and this Court reversed, directing that a permanent in-

¹For convenience the parties to said contract will hereinafter be referred to as plaintiff and defendant.

²Throughout this brief emphasis is ours unless otherwise indicated.

junction issue (*California Packing Corporation v. Sun-Maid R. Growers* (9 Cir. 1936) 81 F.2d 674). In its decision upholding the 1917 contract and ordering that defendant be perpetually enjoined from using its mark on other than raisin products this Court stated (p. 678):

“The appellee [defendant] limited its right of ownership in the trade-mark ‘Sun-Maid’ to the use of it in connection with raisins and raisin products. The contract so states. This view was adopted by the Court of Customs and Patent Appeals in litigation before that court between the parties hereto [*California Packing Corporation v. Sun-Maid Raisin Growers of California* (Cust.& Pat.App.) 64 F.(2d) 370, 373], where the appellant [plaintiff] was contesting the right of the appellee to register the trade-mark ‘Sun-Maid’ as to other than raisin products. That court held that the contract of March 10, 1917, gave the Sun-Maid Company only limited ownership in the trade-mark ‘Sun-Maid’ and that it could not register the mark for any other product. The court said: ‘If an applicant has by contract divested himself of ownership of and the right to use a mark for which he makes application for registration, he is not the “owner” of the mark. * * * Under the contract, appellee is not the owner of the mark, and was precluded from using the same as applied to such goods.’”

And the Court added (p. 678):

“It is clear that if, as we have held, the appellee was bound by the contract of March 10, 1917, not to use its trade-mark ‘Sun-Maid’ upon products other than raisin products, it could not acquire a right to do so in direct contravention of the terms of the contract.”

Pursuant to mandate of this Court, the district court entered its final decree dated June 15, 1936 (R. 7-9), and issued a permanent injunction (R. 5-6) enforcing the limitation upon use of its mark that defendant had voluntarily accepted by the 1917 contract. That decree provided (R. 8) :

“Now, Therefore, it is Ordered that said mandate be filed herein and spread upon the minutes of this court, and *on reading and filing said mandate and in pursuance thereof,*

* * * * *

It is * * * Ordered, Adjudged and Decreed that an injunction issue herein perpetually enjoining and restraining the defendant, its agents and servants, and all claiming and holding through or under it, from using the trade-mark ‘Sun-Maid’ otherwise than on packages containing raisins or on packages containing food products or confections made wholly or in part from raisins * * *.”

By agreement dated September 20, 1950, plaintiff sold its trade-mark “Sun-Kist” to California Fruit Growers Exchange (R. 42-49). On December 14, 1954, defendant filed a motion (R. 3-4) in the district court to dissolve the permanent injunction issued June 15, 1936, on the ground that plaintiff’s sale of said trade-mark in 1950 constituted such a change of conditions as to justify abrogation of the 1917 contract between the parties and dissolution of the injunction against defendant.

Defendant did not seek leave of this Court to file the said motion in the district court. Plaintiff objected that such leave was a prerequisite of consideration of the merits of the motion by the district court, and that in any

event there was no change of circumstances sufficient to warrant dissolution of the injunction.

On January 20, 1956, the district court filed its memorandum for order dismissing the said motion for defendant's failure to apply to this Court for leave to file the motion, and therefore declining to reach the merits of the motion (R. 18-19). On January 30, 1956, the district court entered its order dismissing said motion without prejudice (R. 19-20).

Instead of applying to this Court for leave to file the motion, defendant appealed from said order of the district court dismissing the motion (R. 20-21).

THE ISSUES FOR DECISION AND SUMMARY OF CONTENTIONS OF APPELLEE.

There are three issues before the Court for decision on the record herein:

1. Whether the order of the district court dismissing the motion of defendant without prejudice to its renewal upon defendant's obtaining leave of this Court to file such motion is an appealable order;
2. Whether this proceeding, though dismissed as an appeal from the said order of the district court, should be treated as an application by defendant for leave of this Court to present the said motion to dissolve the injunction in the district court; and
3. If this proceeding is treated as such application, whether leave should be granted defendant to seek dissolution of the injunction in the district court.

The merits of the motion by defendant to dissolve the injunction are not properly before this Court at this time.

It is plaintiff's position that:

A. The district court correctly held that leave of this Court is a prerequisite to consideration of a motion for dissolution of the injunctive decree entered pursuant to mandate of this Court;

B. The order of the district court dismissing defendant's motion on the preliminary ground that leave of this Court was not first obtained, and declining to reach a consideration of the merits of the motion, is not an appealable order, and this purported appeal from that order should be dismissed; and

C. If this appeal is to be treated as an application to this Court for leave to move for dissolution of the injunction in the district court, defendant has not made a *prima facie* showing of merit sufficient to warrant the granting of such leave for these reasons:

1. The original basis for granting the injunction exists unchanged.

2. Dissolution of the injunction would in effect nullify an outstanding contract between plaintiff and defendant, and thereby unfairly deprive plaintiff of the consideration which induced it to enter the contract.

3. Defendant has not shown that the injunction which it seeks to have dissolved is oppressive; rather, defendant seeks by its motion to avoid its contractual obligations enforced by the decree of this Court.

ARGUMENT.

A. THE DISTRICT COURT CORRECTLY HELD THAT LEAVE OF THIS COURT IS A PREREQUISITE TO CONSIDERATION BY THE DISTRICT COURT OF A MOTION FOR DISSOLUTION OF AN INJUNCTIVE DECREE ENTERED PURSUANT TO MANDATE OF THIS COURT.

It is well established that, before a motion to dissolve, vacate or otherwise modify a judgment or decree entered by a trial court pursuant to mandate of an appellate court may be considered by the trial court, leave must first be obtained from the appellate court.

Rogers v. Consolidated Rock Products Co. (9 Cir. 1940) 114 F.2d 108, 111;

Simmons Co. v. Grier Bros. Co. (1922) 258 U.S. 82, 85, 91;

International Ry. Co. v. Davidson (W.D.N.Y. 1945) 65 F.Supp. 58, 61;

Hazel-Atlas Co. v. Hartford Co. (1944) 322 U.S. 238, 248;

National Brake Co. v. Christensen (1921) 254 U.S. 425, 432;

In re Potts, Petitioner (1897) 166 U.S. 263, 267-268;

Southard et al. v. Russell (1853) 57 U.S. 546, 569-570;

Butcher & Sherrerd v. Welsh (3 Cir. 1953) 206 F. 2d 259, 262;

Home Indemnity Co. of New York v. O'Brien (6 Cir. 1940) 112 F.2d 387.

This Court stated in *Rogers v. Consolidated Rock Products Co.* (9 Cir. 1940) 114 F.2d 108, *supra* (p. 111):

“If a decree is entered pursuant to the mandate of an appellate court, proper deference to its authority

requires that a proceeding to reopen it, whether by rehearing or review, should first be referred to that tribunal. *Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82, 91, 42 S.Ct. 196, 66 L.Ed. 475."

In *Hazel-Atlas Co. v. Hartford Co.* (1944) 322 U.S. 238, *supra*, a petition was filed in the Third Circuit Court of Appeals for leave to file a bill of review in the district court to set aside a judgment entered by that court pursuant to the mandate of the Third Circuit. Discussing the required procedure, the court said (p. 248):

"The solution evolved by the courts is a procedure whereby permission to file the bill is sought in the appellate court. The hearing conducted by the appellate court on the petition, which may be filed many years after the entry of the challenged judgment, is not just a ceremonial gesture. The petition must contain the necessary averments, supported by affidavits or other acceptable evidence; and the appellate court may in the exercise of a proper discretion reject the petition, in which case a bill of review cannot be filed in the lower court. *National Brake Co. v. Christensen*, 254 U.S. 425, 430-433."

In *International Ry. Co. v. Davidson* (W.D.N.Y. 1945) 65 F.Supp. 58, *supra*, defendants moved in the district court for an order under Rule 60(b) of the Federal Rules of Civil Procedure vacating a permanent injunction entered pursuant to mandate of the United States Supreme Court. The district court, holding that it was without power to act until defendants obtained leave of the Supreme Court to present such motion, said (p. 61):

"It is contended by the plaintiffs that this court has no jurisdiction in the matter * * * because it can not

entertain a motion to vacate, modify or set aside a decree entered according to a mandate of the Supreme Court without permission of that court having first been obtained. It seems to me that this court has not jurisdiction without such permission. The mandate from the Supreme Court * * * directed that an injunction issue. The only authority in the lower court on the remand is to follow the provisions of the mandate itself. * * *

The government cites *United States v. Swift* [286 U.S. 106], *supra*, as showing that the lower court modified the decree entered on the mandate. The opinion shows that the Supreme Court in the District of Columbia modified an earlier decree of the same court. The appeal to the Supreme Court was from a decree modifying an injunction by the lower court, and there is no question of any mandate issued by the U. S. Supreme Court."

And in *Butcher & Sherrerd v. Welsh* (3 Cir. 1953) 206 F.2d 259, *supra*, on motion of defendants the district court entered an order setting aside a prior judgment entered pursuant to mandate of the Third Circuit Court of Appeals. Petitioners sought writs of mandamus and prohibition to compel the district court to withdraw its order on the ground that leave of the Third Circuit to file the motion to set aside the judgment had not been obtained. The Third Circuit granted the writs and stated (p. 262):

"Where a judgment has been affirmed on appeal and the mandate handed down it is beyond the power of the lower court to disturb the judgment without leave of the appellate court. This procedure is required by long-settled principles. *Simmons Co. v. Grier Bros. Co.*, 1922, 258 U.S. 82, 42 S.Ct. 196, 66 L.Ed. 475; *National Brake & Electric Co. v. Christensen*, 1921,

254 U.S. 425, 41 S.Ct. 154, 65 L.Ed. 341; *In re Potts*, 1897, 166 U.S. 263, 17 S.Ct. 520, 41 L.Ed. 994; *Brady v. Beams*, 10 Cir., 1943, 132 F.2d 985; *Simonds v. Norwich Union Indemnity Co.*, 8 Cir., 1934, 73 F.2d 412. * * *

Respondent contends that recent amendments to Rule 60(b) of the Federal Rules of Civil Procedure confer upon the trial court the power to grant relief from the operation of a judgment without prior approval of the appellate court. We cannot subscribe to this contention. Rule 60(b), while enlarging the power of the District Courts over judgments without respect to the running of the term of court, does not confer upon District Courts the power to alter or amend a judgment which has been affirmed by this court or the Supreme Court, for such alteration would affect the decision of the reviewing court, which it is not within the power of the District Courts to do. *Home Indemnity Co. of New York v. O'Brien*, 6 Cir., 1940, 112 F.2d 387."

Defendant first argues that the established rule of the foregoing cases is unsound (Op.Br., p. 6). It rests this argument on a quotation from a dissenting opinion in *S. C. Johnson & Son v. Johnson* (2 Cir. 1949) 175 F. 2d 176, 184, and a reference to a proposed revision of Rule 60(b) by the Advisory Committee on Rules of Civil Procedure, to the effect that prior permission of the appellate court is an undesirable requirement (Op.Br., p. 6).

Professor Moore, a leading authority on Federal practice, dissented from the Advisory Committee's suggestion for revision of Rule 60(b)³ for reasons which he has else-

³See Report of Proposed Amendments to the Rules of Civil Procedure, 18 F.R.D., appx. 1, 10.

where cogently stated (7 Moore's Federal Practice (2d Ed.) p. 341, n. 25):

“Certainly in many cases a requirement of leave from the appellate court is not a useless and delaying formalism. See *Butcher & Sherrerd v. Welsh*, *supra*, n. 23; and the Court's statement in *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, *supra*, n. 23. If an application to the appellate court is required, as in the past, the appellate court can screen out attacks that are clearly without merit. This usually does not require an elaborate record. If a *prima facie* case of merit is made out, the appellate court then grants leave, and the full hearing and record is made in the district court. We believe that the present practice does not impose barren requirements, nor unwarranted hurdles since the moving party is seeking relief from a final judgment after the case has been before at least one appellate court.”

Defendant also argues, alternatively, that the present motion relates to matters outside “the compass of the mandate” and that prior leave is thus not required (Op. Br., p. 7), quoting a passage by Professor Moore and citing *United States v. Swift & Co.* (1932) 286 U.S. 106. Professor Moore's statement that in some instances a motion in the district court will not raise matters within the compass of the mandate is illustrated in a footnote, omitted from defendant's quotation, where he explains (7 Moore's Federal Practice (2d Ed.) p. 339, n. 21):

“For example, where the appellate court orders a new trial and, following subsequent proceedings and judgment, a party moves for relief from the judgment * * *.”

Where the mandate of an appellate court orders a new trial, and a judgment based on the new proceedings in the trial court is entered, relief from that judgment, *which was not directed or approved by the appellate court*, may properly be sought in the trial court without leave of the appellate court. Such a situation is patently distinct from present facts where, as defendant concedes (Op.Br., p. 7), this Court's mandate *directed* entry of the decree and permanent injunction.

Defendant's reliance upon the *Swift* case is also misplaced. As pointed out in *International Ry. Co. v. Davidson*, quoted at pages 8-9, *supra*, the decree modified by the district court in the *Swift* case was not entered pursuant to mandate of an appellate court, and the question of prior leave of such court was in no way involved. In short, neither case law nor Professor Moore supports defendant's contention that dissolution by the district court of the injunction herein would be outside the compass of this Court's mandate directing its issuance.

Under the established rule, therefore, it is manifest that defendant should have made application to this Court for leave to move the district court to dissolve the injunction issued pursuant to mandate of this Court. The order of the district court dismissing defendant's motion thus was proper and, if the order be held appealable, should be affirmed.

B. THE ORDER OF THE DISTRICT COURT DISMISSING DEFENDANT'S MOTION ON THE PRELIMINARY GROUND THAT LEAVE OF THIS COURT WAS NOT FIRST OBTAINED, AND DECLINING TO REACH A CONSIDERATION OF THE MERITS OF THE MOTION, IS NOT AN APPEALABLE ORDER; ACCORDINGLY, THIS PURPORTED APPEAL FROM THAT ORDER SHOULD BE DISMISSED.

It is well-settled law that, with certain exceptions hereafter discussed, the courts of appeals have jurisdiction only of appeals from *final* decisions of the district courts.

28 U.S.C. 1291;

Georgia Ry. Co. v. Decatur (1923) 262 U.S. 432, 437;

Cole v. Rustgard (9 Cir. 1933) 68 F.2d 316.

In *Cole v. Rustgard*, *supra*, this Court stated (p. 316):

“A case may not be brought up in fragments, but the decision appealed from must be final and complete, as to the subject-matter and as to the parties. *Collins v. Miller*, 252 U. S. 364, 370, 40 S. Ct. 347, 64 L. Ed. 616; *Arnold v. U. S. for Use of W. B. Guimarin & Co.*, 263 U. S. 427, 434, 44 S. Ct. 144, 68 L. Ed. 371. See *O'Brien's Man. Fed. App. Proc.* (2d Ed.) p. 60. The test of finality of a decision other than in the excepted cases is whether an affirmance by the appellate court will end the suit and leave nothing for the lower court to do but execute the decree. *Baxter v. Bevil Phillips & Co. et al.* (D. C.) 219 F. 309, 311. A judgment or decree which leaves the rights of the parties affected by it undetermined and open to further litigation is not a final decision. *Loflin et al. v. Ayres et al.* (C. C. A.) 164 F. 841.”

Defendant relies upon *Jackson v. Heiser* (9 Cir. 1940) 111 F.2d 310 (Op.Br., p. 2). In that case an order denying, *on the merits*, a motion to set aside a default judg-

ment for fraud was held appealable. Cases of appeals from orders denying motions for relief from prior judgments uniformly involve orders disposing of such motions on the merits. See:

Cromelin v. Markwalter (5 Cir. 1950) 181 F.2d 948;
Greenspahn v. Joseph E. Seagram & Sons (2 Cir. 1951) 186 F.2d 616;
In re Marachowsky Stores Co. (7 Cir. 1951) 188 F.2d 686.

In contrast to the foregoing cases, here the order of the district court merely denied defendant's motion without prejudice to its renewal in the event that defendant secured leave of this Court to present the motion for consideration on its merits, and left the principal issues between the parties open for subsequent decision (see the district court's memorandum for order, R. 18). It is difficult to conceive an order more clearly interlocutory or one which more clearly, in this Court's language, "leaves the rights of the parties affected by it undetermined and open to further litigation" (*Cole v. Rustgard* (9 Cir. 1933) 68 F.2d 316, *supra*).

Section 1292(1) of Title 28 of the United States Code permits appeals from interlocutory orders "granting, continuing, modifying, refusing or dissolving injunctions, or refusing to dissolve or modify injunctions." Defendant cites this section in its jurisdictional statement (Op.Br., p. 2), without discussion there or elsewhere in its brief.

Without exception, cases permitting appeals from interlocutory orders refusing to vacate injunctions involve determinations *on the merits* of such motions.

See:

American Grain Separator Co. v. Twin City Separator Co. (8 Cir. 1912) 202 Fed. 202;
Marine Midland Trust Co. of N. Y. v. Eybro Corporation (2 Cir. 1932) 58 F.2d 165;
Central Hanover Bank & Trust Co. v. Callaway (5 Cir. 1943) 135 F.2d 592.

In this case the district court did not "refuse dissolution of the injunction" within the meaning of the foregoing cases, but properly declined to proceed to a consideration of the merits of defendant's motion without leave of this Court first obtained.

For the foregoing reasons, it is respectfully submitted that defendant's appeal from the order of the district court should be dismissed. Instead of taking this appeal, defendant, in accordance with the order of the district court and established procedure, should have applied to this Court for leave to present the motion in the district court.

C. **EVEN IF THIS PROCEEDING WERE TREATED AS AN APPLICATION BY DEFENDANT FOR LEAVE TO PROCEED IN THE DISTRICT COURT, DEFENDANT HAS FAILED TO MAKE A PRIMA FACIE SHOWING OF MERIT REQUIRED TO WARRANT THE GRANTING OF A FULL HEARING ON THE MOTION IN THE COURT BELOW. THE MOTION ITSELF IS NOT NOW BEFORE THIS COURT.**

Defendant, in its brief, takes the position that, if leave of this Court is required, this appeal should be treated as an application for such leave; and, further, that to eliminate "duplication of effort" this Court should proceed to determine the motion on its merits, and thus

"avoid referring any phases of the case back to the District Court" (Op.Br., p. 5).

Preliminarily, it is to be noted that responsibility for any unnecessary effort in connection with the motion to dissolve rests squarely with defendant. Defendant would have avoided both the preliminary proceedings in the district court and this appeal if, in accordance with established procedure, it had first sought leave of this Court to file its motion. Defendant would also have saved time, expense and effort for the parties and the Court if it had, in accordance with the order of the district court, made proper application for leave to file the motion instead of taking this appeal.

In any event and assuming that this appeal can now be treated as an application for such leave, it is clear that the merits of the motion to dissolve the injunction are not before this Court for review or other consideration at this time. The most that can now be before this Court is the question whether the record establishes a *prima facie* showing of merit sufficient to warrant the granting of a full hearing in the district court.

The procedure is thus stated by Professor Moore (7 Moore's Federal Practice (2d Ed.) p. 341, n. 25):

"If an application to the appellate court is required, as in the past, the appellate court can screen out attacks that are clearly without merit. * * * If a *prima facie* case of merit is made out, the appellate court then grants leave, and *the full hearing and record is made in the district court.*"

See also:

Federal Deposit Insurance Corp. v. Alker (3 Cir. 1955) 223 F.2d 262, 263;

Hazel-Atlas Co. v. Hartford Co. (1944) 322 U.S. 238, 248;

Butcher & Sherrerd v. Welsh (3 Cir. 1953) 206 F. 2d 259, 262.

The reasons for this procedure are clear. A *prima facie* showing of merit must first be made to the appellate court before which the case has once been so that it may know that its mandate, issued after extensive consideration, will not be departed from without substantial necessity therefor. If a showing sufficient to warrant granting of leave is made, the merits of the motion to dissolve, like other motions, are for consideration by the district court in the first instance. This Court does not have original jurisdiction to hear the motion itself, but has appellate jurisdiction over the final order of the district court disposing of the motion on the merits (see *United States v. Swift & Co.* (1932) 286 U.S. 106).

One additional circumstance underscores the impropriety of defendant's request that this Court dispose of the merits of the motion to dissolve on the record now before it. The district court in its memorandum for order (R. 18-19) noted that California Fruit Growers Exchange (now Sunkist Growers—not a party to this appeal) may be a necessary party to determination of the motion to dissolve.

Defendant, in an attempted refutation of this statement by the district court, refers to certain hearsay statements

and opinions and conclusions contained in the supporting affidavit of defendant's secretary (R. 17) to the effect that Sunkist Growers had assumed a position of neutrality in this proceeding. Defendant also asserts in its brief (Op. Br., p. 16) that Sunkist Growers has not used the "Sun-Kist" trade-mark and "has therefore abandoned any right to use it." None of these statements or assertions finds any support in the record. All are inconsistent with the fact that Sunkist Growers' predecessor, California Fruit Growers Exchange, acquired the "Sun-Kist" trade-mark at a cost of \$1,250,000 (R. 48), pursuant to a contract under which the plaintiff herein covenanted to render aid and assistance "in each and every suit and proceeding in which said trade-mark 'Sun-Kist' may now be or become involved or concerned" (R. 47). Under such circumstances and the record before this Court, there is adequate justification for the district court's view that the present owner of the "Sun-Kist" trade-mark may be a necessary or indispensable party to any ultimate hearing on the motion.

Moreover, the record clearly demonstrates that defendant has failed to make a *prima facie* showing of merit required to warrant the granting of leave to file a motion to dissolve in the district court.

1. The original basis for granting the injunction exists unchanged.

Reduced to its simplest terms, defendant's argument is that the injunction should be dissolved because title to the trade-mark "Sun-Kist" has passed from plaintiff to its successor in interest, Sunkist Growers. The present record does not indicate, and defendant does not contend,

that any other fact or circumstance which existed in 1936 is changed today.

Particularly notable is the fact that the agreement of March 10, 1917 (R. 9-15), which was the original basis for the injunction, continues in full force and effect.

The mandate of this Court directing that the injunction issue was not dependent, as defendant would suggest, upon ownership in perpetuity of the trade-marks in question by either plaintiff or defendant. This Court stated the purpose of the 1917 contract as follows (*California Packing Corporation v. Sun-Maid R. Growers* (9 Cir. 1936) 81 F.2d 674, 677-678) :

“The purpose and effect of the contract of March 10, 1917, was to define the relative rights of each in its respective trademarks.”

In short, the injunction rested upon this Court’s determination that, by the 1917 contract, defendant had divested itself of ownership in the “Sun-Maid” mark for any purpose but use with raisins and raisin products. Plaintiff’s ownership of the trade-mark “Sun-Kist” was not the controlling factor in 1936; rather, it was defendant’s limited ownership in its trade-mark “Sun-Maid.” As this Court pointed out, citing the conclusions of the Court of Customs and Patent Appeals (81 F.2d 678) :

“‘Under the contract, appellee [defendant] is not the owner of the mark, and was precluded from using the same as applied to such goods.’”

Obviously, plaintiff’s transfer of title to the “Sun-Kist” trade-mark to a third party did not and could not enlarge

defendant's rights of ownership; the transfer therefore could not be such a changed circumstance as to justify dissolution of the injunction.

Today, as in 1936, the injunction does no more than enforce a subsisting agreement between plaintiff and defendant which defined the limited ownership and scope of defendant's mark. In *United States v. Swift & Co.* (1932) 286 U.S. 106, the Supreme Court held that modification of an injunction which merely enforces a contract into which "experienced business men" entered "with their eyes open" (p. 115) is not permissible. See also *Hughes Tool Co. v. A. F. Spengler Co.* (W.D.Okl. 1947) 73 F.Supp. 156, 157-158.

Coca-Cola Co. v. Standard Bottling Co. (10 Cir. 1943) 138 F.2d 788, relied upon by defendant (Op.Br., p. 9) is not in point. In that case the injunction had been granted on the basis of an original exclusive right to the use of the word "Cola," and modification of the decree was permitted upon a showing that plaintiff had lost such exclusive right in subsequent years. Since there, by reason of changed circumstances, *anyone* could use the word "Cola" the injunction no longer was of any use or advantage because other distributors could freely adopt "Cola" for their soft drinks. That is not this case, where the extent and scope of defendant's ownership of its "Sun-Maid" mark was defined by a separate contract which has the same vitality today as it had when executed.

Defendant attempts to bolster its position by arguing that this Court in its prior decision did not disturb the trial court's original finding of lack of confusing sim-

ilarity in the trade-marks⁴ (Op.Br., pp. 2-3). This Court, while not expressly overturning that finding, necessarily did so by implication when it enforced the 1917 contract, for that contract by its very nature and terms was based on the confusing similarity between the parties' respective trade-marks. This the defendant itself recognizes in conceding that "the contract was based on the alleged confusing similarity of the trademarks" (Op.Br., p. 11).

Defendant's assertions, therefore, are without foundation either in the rulings of this Court or the record now before it.

2. Dissolution of the injunction would in effect nullify an outstanding contract between plaintiff and defendant, and thereby unfairly deprive plaintiff of the consideration which induced it to enter the contract.

Equally unfounded are defendant's contentions that plaintiff no longer has an interest in the 1917 contract (Op.Br., pp. 10-11), and that plaintiff, by selling the "Sun-Kist" trade-mark in 1950 while retaining its contract rights, engaged in some undefined "hocus-pocus" which requires dissolution of the injunction (Op.Br., pp. 13-14).

Plaintiff's continued interest in the contract and injunction is manifest. The injunction in effect granted plaintiff specific performance of a contract by which plaintiff and defendant compromised an action involving trade-mark infringement and related issues. Plaintiff

⁴Defendant's argument that the finding was not disturbed and has become the law of the case ignores the fact that, pursuant to the mandate of this Court, the district court vacated its original judgment and, necessarily, the findings on which it was based (R. 8).

agreed to and did withdraw its action against defendant then pending in a New York Federal district court, and agreed to and did permit defendant to use the trade-mark "Sun-Maid" on packages containing raisins or raisin products. Defendant agreed thereafter to confine its use of its mark "Sun-Maid" to raisins and raisin products. The contract is in as full force and effect today as when the injunction issued, and defendant has not yet fully performed its obligations thereunder. If the injunction were dissolved, defendant would be freed of a contractual obligation to fulfill a promise voluntarily given, for which it has already received adequate consideration from plaintiff. See *Hughes Tool Co. v. A. F. Spengler Co.* (W.D. Okl. 1947) 73 F.Supp. 156, *supra*.

In addition to this basic interest that plaintiff retains in the 1917 contract, other considerations reflect the continuing interest of plaintiff in the contract.

Prior to its sale of the "Sun-Kist" mark in 1950, plaintiff had for many decades sold a substantial volume of dried fruits and canned goods under the mark (R. 27). Because of this long association of the "Sun-Kist" mark with plaintiff's products, any act which reflects unfavorably on the mark reflects unfavorably on plaintiff. Plaintiff had the legal right to sell or not to sell its trade-mark and to select, when it decided to sell, the purchaser which it felt most confident would use the mark well. It sold the mark and the "goodwill" attached to it to the purchaser which it had the greatest confidence would use the mark so as not to create any "badwill" toward plaintiff. If the injunction were dissolved and defendant were freed of its contractual obligations, plaintiff would be forced to

assume the risk of acts of defendant which might reflect unfavorably upon plaintiff. Plaintiff should not be forced to assume such risk where an existing contract, approved by this Court, precludes it.

Defendant also argues that the 1917 contract now constitutes an illegal restraint of trade because it binds defendant "not to compete in specified fields," and that such restrictive covenant is no longer ancillary to a "main lawful purpose" of the contract, which purpose, according to defendant, was protection of the mark "Sun-Kist" (Op.Br., pp. 11-12). This argument is untenable for at least two reasons.

Preliminarily, it may be noted that protection of plaintiff's mark was not the sole purpose of the 1917 contract. The contract settled outstanding litigation and other disputes between the parties, and contained numerous provisions having no relation to plaintiff's trade-mark ownership (R. 9-15). And, as heretofore discussed, plaintiff has a substantial, continuing interest in the 1917 contract apart from its ownership of the "Sun-Kist" mark.

But the real point is that, contrary to defendant's assertion (Op.Br., pp. 10, 12), the 1917 contract does *not* prevent defendant from selling its products in any competitive field. The only effect of the agreement is to define defendant's right to use one trade-mark, leaving defendant wholly free to sell whatever products it chooses under any other name or mark to which it is lawfully entitled.

The only case cited by defendant to support its contention that the contract constitutes an illegal restraint of trade is *United States v. Addyston Pipe & Steel Co.*

(6 Cir. 1898) 85 Fed. 271 (Op.Br., p. 11). The *Addyston* case involved a *price-fixing and market-division* agreement among dominant manufacturers supplying about two thirds of the markets where they did the bulk of their business. Neither that case nor any other case revealed by diligent research remotely suggests that the contract in question in any way violates the antitrust laws. Indeed, defendant concedes the legality of the contract when it was entered into because of the confusing similarity of the trade-marks (Op.Br., p. 11), and nothing in the record discloses any change of that circumstance.

The dieta in the *Addyston* case concerning ancillary covenants in restraint of trade discuss only covenants *preventing all subsequent competition* between the agreeing parties (85 Fed. 281-283). The agreement in question patently does not prevent defendant from selling goods in competition with those of plaintiff; there is no evidence in this record that the limitation upon defendant's use of a particular trade-mark has foreclosed it from any market. The legality of contracts which merely limit use of a trade name and do not otherwise restrict competition between the parties is well established.

Guth v. Guth Chocolate Co. (4 Cir. 1915) 224 Fed. 932, affirming (D.Md. 1914) 215 Fed. 750;

Kellogg v. Kellogg Toasted Corn Flake Co. (1940) 212 Mich. 95, 180 N.W. 397, 402;

Frazer v. Frazer Lubricator Co. (1887) 121 Ill. 147, 13 N.E. 639;

Probasco v. Bouyon (1876) 1 Mo.App. 241;

Waukesha H. M. Springs Co. v. Hygeia S. D. Water Co. (7 Cir. 1894) 63 Fed. 438;

Hamilton, Brown Shoe Co. v. Sam B. Wolf Sons Co. (Ct.Cust.&Pat.App. 1930) 39 F.2d 272.

In *Probasco v. Bouyon*, supra, the court granted an injunction restraining defendant Oakes who had sold his trade name, together with a candy manufacturing business, from using the name in connection with a new candy-making venture. The court said (p. 246):

“A court of equity will restrain a breach of contract or of covenant, and to do so in this case will not be against public policy or in restraint of trade. *Oakes may still make and sell candy, but not under the name the use of which he has for this purpose sold.*”

In the *Guth* case, supra, on similar facts, the Fourth Circuit affirmed the granting of an injunction restraining defendant's use of a trade name with which he had voluntarily parted. The court said (p. 934):

“When, in 1909 Guth sold, among other things, ‘the use of the name Guth for the purpose of manufacturing and selling candies under the Guth label,’ he dispossessed himself of the right thereafter to use his name as a trade-mark, and no valid reason appears for not holding him to his obligation. * * * *Stripped of all pretenses, what he really seeks to do is to keep for himself the essential thing he sold, and also keep the price he got for it.* A court of equity may properly prevent such manifest unfairness. *The injunction granted goes no further than to enforce the agreement which Guth actually made in regard to the use of his name, and he cannot justly complain of a decree which compels him to abide by his bargain.*”

Here, as in the *Guth* case, defendant's only real complaint is that the injunction compels it to live up to the bargain by which it is bound; what defendant seeks is to retain the consideration received from plaintiff, and at the same time to obtain an unlimited right to use the "Sun-Maid" mark in violation of the express terms of the contract.

3. Defendant has not shown that the injunction which it seeks to have dissolved is oppressive; rather, defendant seeks by its motion to avoid its contractual obligations enforced by the decree of this Court.

It is established law that an injunctive decree should be modified only upon a clear showing of extreme and unexpected hardship which is actual and existing at the time the motion to modify is made. In *United States v. Swift & Co.* (1932) 286 U.S. 106, the Supreme Court reversed an order of a district court granting modification of a prior decree, and stated the standards governing its determination as follows (p. 119):

"There is need to keep in mind steadily the limits of inquiry proper to the case before us. We are not framing a decree. We are asking ourselves whether anything has happened that will justify us now in changing a decree. The injunction, whether right or wrong, is not subject to impeachment in its application to the conditions that existed at its making. We are not at liberty to reverse under the guise of readjusting. * * * No doubt the defendants will be better off if the injunction is relaxed, but they are not suffering hardship so extreme and unexpected as to justify us in saying that they are the victims of oppression. Nothing less than a clear showing of

grievous wrong evoked by new and unforeseen conditions should lead us to change what was decreed after years of litigation with the consent of all concerned."

The rule stated in *Leonardo v. Leonardo* (D.C.Cir. 1944) 145 F.2d 849 and *Gossard Breeding Estates v. Texas Co.* (D.Colo. 1946) 76 F.Supp. 20, relied upon by defendant (Op.Br., pp. 10-11), refers to conditions appropriate to *original issuance* of an injunction, and is without application to the present question of modification of a prior decree duly issued.

Defendant argues that it "is injured and is threatened by greater injury in that it cannot expand the use of its own trade-mark" and that it "is hindered in preventing unauthorized use of its own name Sun-Maid by others on food products" (Op.Br., p. 10). The only "factual support" for this argument in the record are the following general assertions, in the nature of opinions and conclusions, in a single affidavit (R. 17):

"* * * that, in the past, others have *attempted*, to the detriment of defendant, to use the word Sun-Maid or a colorable imitation thereof, on non-raisin food products; that similar instances of such unauthorized use of the name Sun-Maid are *likely to occur in the future*; that in affiant's *opinion* said injunction precludes defendants from taking all necessary preventive steps to stop such unauthorized use of defendant's name in the future."

This is manifestly not a statement of facts which establish actual, present injury sufficient to constitute a *prima facie* "clear showing of grievous wrong," as re-

quired by the *Swift* case. Furthermore, defendant cites no legal authority to support its assumption that it cannot protect its mark "Sun-Maid." Patently, defendant can enjoin use by others of its mark or of any confusingly similar trade-mark. Nothing in the 1917 contract or the injunction in any way hampers defendants from taking such protective action.

Defendant's request is not that it be relieved from an oppressive injunction as a result of changed conditions, but rather that it be granted relief from the express terms of a contract binding upon it.

Stripped of all pretenses, what defendant really seeks is to have this Court overturn its prior decision in this case. Notwithstanding this Court's clear rulings that defendant was bound by the contract of March 10, 1917, and that defendant had only a limited "right of ownership" in its trade-mark and was not the "owner" of the mark for use with other than raisins and raisin products, defendant, through the device of a motion to dissolve the injunction, seeks to evade the contract and assert greater rights of ownership.

The history of these proceedings is illuminating. Defendant says that it originally acquired the "Sun-Maid" mark through a bankruptcy proceeding (Op.Br., p. 3). In violation of the contract settling its limited ownership rights in the mark (in consideration of which plaintiff's predecessor dismissed an infringement suit challenging use of the "Sun-Maid" mark), defendant subsequently attempted again to expand use of the mark on other than raisin products. This Court by its mandate ordered

that it be permanently enjoined from doing so. Now defendant renews its efforts to encroach on the rights of others by denying the binding effect of the 1917 contract, and claiming rights of ownership beyond those allowed by the decisions of the Court of Customs and Patent Appeals and of this Court. Defendant has failed to show that continued obedience to its contractual obligations and the decree of the court is oppressive or even unfair. On the contrary, it is obvious that defendant is only embarked on a new campaign to grasp greater ownership rights in the mark. This Court should not lend its hand to aid defendant's scheme, which is clearly without merit.

For all the foregoing reasons, it is submitted that defendant has not made a *prima facie* showing of cause for relief from the injunction required to warrant the granting of leave by this Court to present the motion to dissolve to the district court.

CONCLUSION.

Plaintiff-appellee California Packing Corporation respectfully submits:

1. That this purported appeal from the interlocutory order of the district court should be dismissed;
2. That the order of the district court declining to proceed without leave of this Court, if held to be appealable, should be affirmed; and
3. That, if this proceeding be treated as an application by appellant for leave of this Court to file a motion to dissolve in the district court, such leave should be de-

nied for failure of appellant to make a *prima facie* showing of cause for dissolution of the injunction.

Dated, San Francisco, California,

July 27, 1956.

Respectfully submitted,

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